

# Periodic Processing/ Cost Allocations

FI-CO-005

October 14-15, 2008

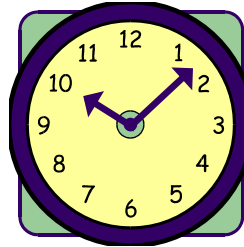


# LaGov

Version 1.7



# Logistics



**Before we get started ...**





# Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise





# Controlling Workshops

Session ID	Date	Business Process	Goals
FI-CO-001	08/05/08	Cost Centers	<ul style="list-style-type: none"> <li>- Intro to SAP Finance &amp; Controlling</li> <li>- Intro to Cost Centers</li> <li>- Cost Center Numbering Schema</li> <li>- As-Is Processes for Cost Centers</li> <li>- To-Be Processes for Cost Centers: Master Data Maintenance &amp; Settlement</li> </ul>
FI-CO-002	08/19/08	Account Code Structure – Internal Orders	<ul style="list-style-type: none"> <li>- Intro to Internal Orders: True Orders &amp; Statistical Orders</li> <li>- Internal Orders Numbering Schema</li> <li>- As-Is Processes for Internal Orders</li> <li>- To-Be Processes for Internal Orders: Master Data Maintenance</li> <li>- Integration with FI-GL &amp; FM</li> </ul>
FI-CO-003	09/23/08	Labor Costing & Time Entry Postings  (Old Name: Time Entry Postings)	<ul style="list-style-type: none"> <li>- Intro to Controlling: Primary &amp; Secondary Postings</li> <li>- As-Is Discussion: Current Time-Entry and Labor Costing practices</li> <li>- Discussion of Options for Labor Costing and Time Entry</li> <li>- To-Be Processes for Time Entry &amp; Labor Costing: Controlling, Project Systems, Plant Maintenance &amp; Grants Management perspectives</li> </ul>
FI-CO-004	10/01/08 – 10/02/08	Inter Agency Transfers	<ul style="list-style-type: none"> <li>- Intro to Inter Agency Transfers</li> <li>- As-Is Processes for Inter Agency Transfers</li> <li>- To-Be Options: Inter Agency Transfers: <ul style="list-style-type: none"> <li>- CO Allocations, FI-GL Option &amp; AP-AR Options</li> </ul> </li> </ul>
FI-CO-005	10/14/08- 10/15/08	Periodic Processing/ Cost Allocations	<ul style="list-style-type: none"> <li>- Intro to Controlling: Periodic Processing &amp; Cost Allocations</li> <li>- As-Is : Cost Allocations</li> <li>- To-Be : <ul style="list-style-type: none"> <li>- Cost Allocations</li> <li>- Periodic Processing Activities</li> </ul> </li> </ul>
FI-CO-006	10/30/08	Management Reporting	<ul style="list-style-type: none"> <li>- Intro to Management Reporting</li> <li>- Reporting Requirements</li> <li>- Controlling Standard Reports</li> </ul>
FI-CO-Validation	12/08/08- 12/09/08	CO Validation	<ul style="list-style-type: none"> <li>- Review CO Blueprint Design &amp; Documentation</li> <li>- Validate CO Blueprint Design &amp; Documentation</li> </ul>



## Work Session Objective

**Review current processes for  
Cost Allocations & Period-end Activities  
and discuss To-Be Processes  
from Controlling Perspective**



# Session Topics

- **Controlling Overview:**
- **“As-Is”**: Review and capture current Agency and State-wide processes and practices for Cost Allocations & other Period-end activities
- **“To-Be” Cost Allocations & Periodic Processing Activities**
- **Summary & Decisions**
- **Action Items & Next Steps**



CO Review:

Abdulla Meer



# SAP Glossary - 1

➤ **Cost Center** - Organizational unit within a controlling area that represents a clearly delimited location where costs occur. CO.

➤ **Internal Order** – An internal order is used to monitor parts of the costs. CO.

➤ **Primary Cost Element** - A cost element whose costs originate outside of CO. One to one relationship with general ledger P/L accounts. CO.

➤ **Secondary Cost Element** – Used to portray internal value flows, such as internal activity allocation or overhead calculations. CO.

➤ **Allocation** – The process of assessing or distributing amounts and quantities from one sender object to receiver objects. CO.

➤ **Distribution** - Transaction that allocates primary costs. The original cost element is retained in the receiver cost center. CO.

➤ **Assessment** - A method of internal cost allocation by which the costs of a sender are allocated to receiver using an assessment cost element. CO.

➤ **Activity type** – Describe output quantity of a cost center and is used for calculating operating rates. CO.





# SAP Glossary - 2

➤ **CATS** – Cross Application Time Sheet - An SAP component that enables standardized, cross-application recording of employee working times. HR.

➤ **Plant Maintenance Work Order** – A detailed planning aid for maintenance tasks to be performed. PM.

➤ **Chargeback** – When a department incurs cost from providing services for another department, eventually charging the cost to the appropriate department. CO.

➤ **Periodic Reposting** – Method used to transfer costs in Controlling. CO.

➤ **Statistical Key Figure (SKF)** – Measurable values such as number of employees or square footage. CO.

➤ **Work Breakdown Structure (WBS)** - A hierarchical outline of an undertaking described in the project definition. The WBS is the basis for the organization and coordination of a project. It consists of WBS elements. The WBS elements describe tasks or subtasks in the project to perform within a defined time period. PS.

➤ **Tracing Factor** – Non-Financial values that establish how allocation will be carried out. CO.



# Financial Accounting



- **General Ledger**
- **Fixed Assets**
- **Bank Accounting**
- **Accounts Receivable**
- **Accounts Payable**



# Funds Management



- **Fund Accounting**
- **Budgetary Controls**
- **Budget Execution**
- **Budgetary Basis Reporting**
- **Commitment Accounting**



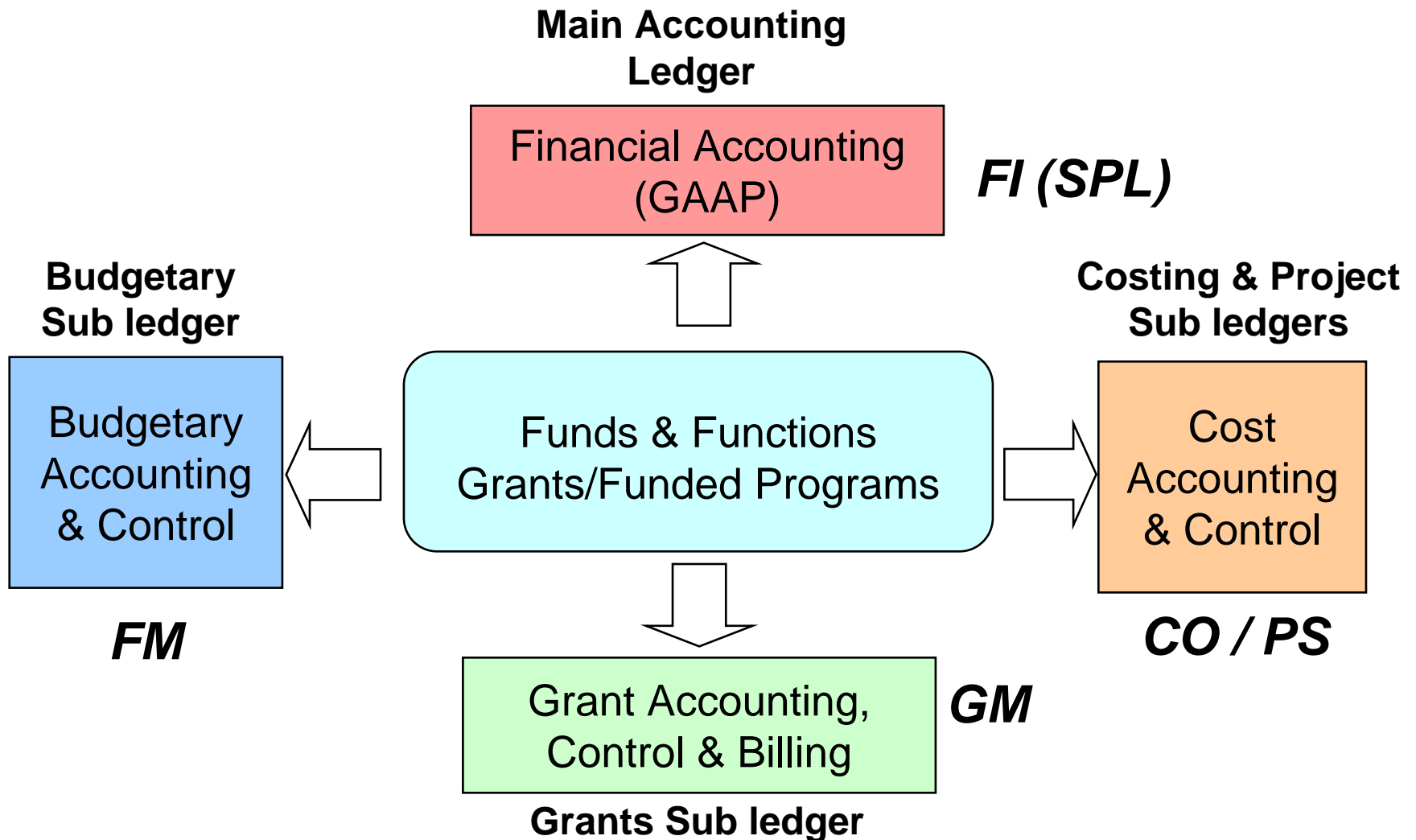
# Controlling



- **Cost Center Accounting (CCA)**
- **Cost Element Accounting (G/L Accounts P&L)**
- **Internal Orders (IO)**
- **Allocations, assessments, and distributions**



# Core SAP Finance





# CO Functionality Overview

Mainly concerned with collecting “actual” costs incurred in Cost Objects, such as:  
Cost Centers, Internal Orders, etc – for Management Reporting.

## ■ Master Data:

- **Cost Centers:** Represent State’s Organizational Units (Agency-Program-District/Section)
- **Internal Orders:** Represent other buckets where expenses need to be collected
- **Cost Elements:** Represent type of “revenue” or “expense” - Primary & Secondary
- **Activity Types:** Represent “outputs” from a Cost Center (Labor Hrs, Project Mgr Hrs, etc.)
- **Statistical Key Figures:** Measurable values, such as number of employees or square footage, used as a basis in Cost Allocations

## ■ Transactional data:

- Primary & Secondary Postings
- Inter Agency Transfers
- Cost Allocations
- Settlements
- Repostings
- Periodic Processing Activities

## ■ Reports:

- Cost Center Reports, Cost Element Reports, Internal Order Reports



# AS IS Cost Allocations

## General Notes



# Allocations – General Notes

- SWCAP is handled outside of AFS
- Three Departments perform allocations in AFS today
  - DOL, DSS, and DHH (including OPH)
- Types of Allocation:
  - Public Assistance Cost Allocation Plan – DHH and DSS
  - Indirect Cost Plan – DOL
- Allocations performed on a monthly basis
  - DHH would prefer quarterly
- Statistics (Allocation bases) are collected by various methods and input manually into AFS prior to allocation run
  - Exception: interface from DHH-OPH Agency 326 for hours
- When performing allocations in AFS, 100% of costs must be allocated from sending reporting category





# COST ALLOCATION PLANS – AFS PROCESS

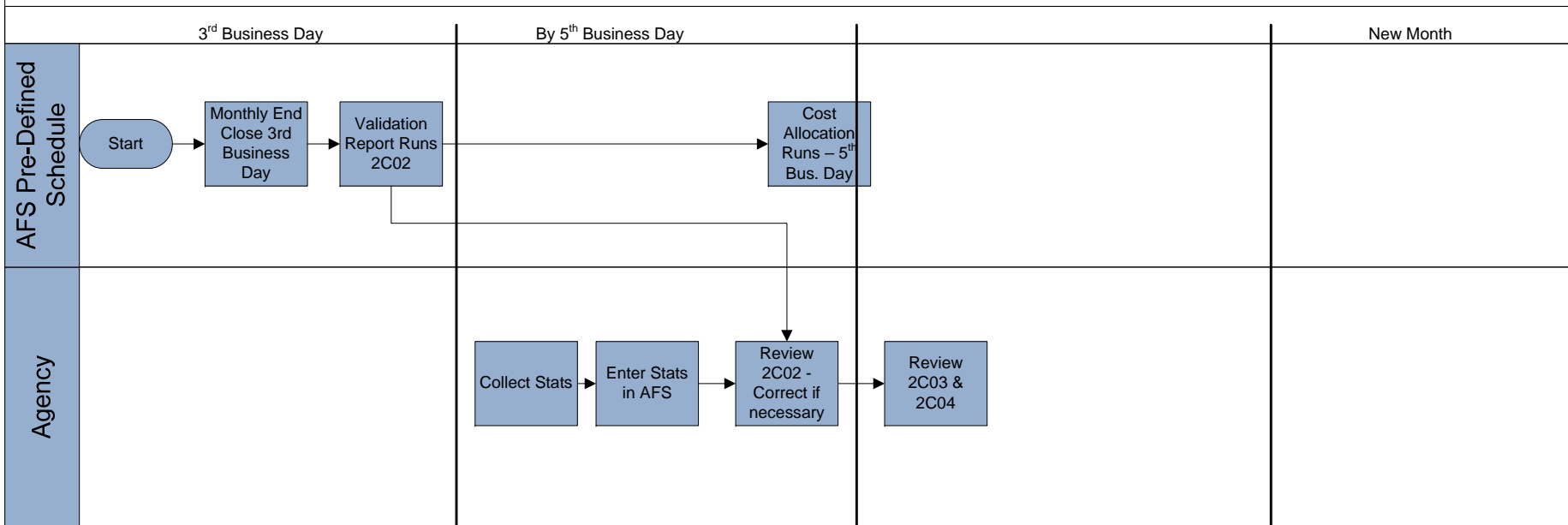
- Each year a Cost Allocation Calendar is prepared by DOA-OIS which details dates that particular Cost Allocation reports will be run:
  - 3<sup>rd</sup> working day following month end is the ISIS close and the 2C01 and 2C02 Validation Reports are run
  - 2 days after the close the Cost Allocation Reports are run
  
- Primary AFS ledger is not updated with Allocations



# AFS Process/Calendar

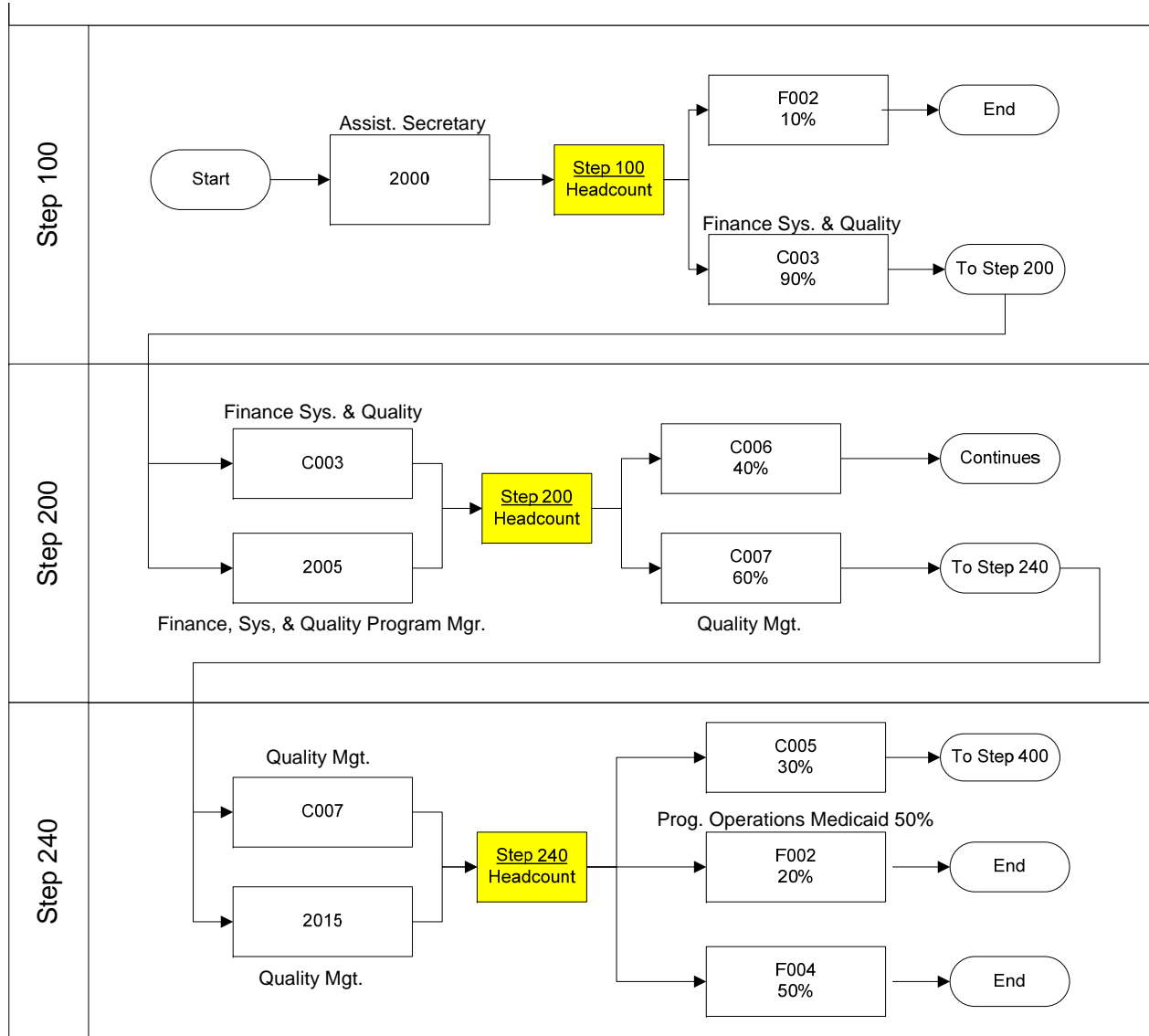
**Process:** AFS Cost Allocation

**Sub-Process:** N/A





# AFS – Cost Allocation Flow



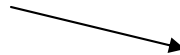


# Dollar Flow to F002

	2000	2005	2015
2100 Salaries-Regular	15,000	10,000	25,000
2110 Salaries-OT	5,000	2,000	8,000
2360 Medicare Tax	500	200	800
2380 Group Ins.	3,000	1,000	5,000
2520 Travel	1,200	0	3,500
	<u>24,700</u>	<u>13,200</u>	<u>42,300</u>

	C003	C007	F002
<u>Step 100</u>	90% (2000)		10% (2000)
2100 Salaries-Regular	13,500		1,500
2110 Salaries-OT	4,500		500
2360 Medicare Tax	450		50
2380 Group Ins.	2,700		300
2520 Travel	1,080		120
	<u>22,230</u>		<u>2,470</u>
<u>Step 200</u>	60% (C003 + 2005)		
2100 Salaries-Regular		14,100	
2110 Salaries-OT		3,900	
2360 Medicare Tax		390	
2380 Group Ins.		2,220	
2520 Travel		648	
		<u>21,258</u>	
<u>Step 240</u>			
2100 Salaries-Regular			20% (C007 + 2015)
2110 Salaries-OT			7,820
2360 Medicare Tax			2,380
2380 Group Ins.			238
2520 Travel			1,444
			<u>830</u>
			12,712
<u>Grand Total</u>			
2100 Salaries-Regular			9,320
2110 Salaries-OT			2,880
2360 Medicare Tax			288
2380 Group Ins.			1,744
2520 Travel			950
			<u>15,182</u>

Note:  
Original  
Object  
Retained





DHH



# General Allocation Notes – DHH

- As the single state Medicaid agency, DHH is required to have a Public Assistance Cost Allocation Plan and to prepare the plan to support claiming efforts.
- CAP Goals:
  - appropriately allocate all DHH overhead and indirect costs to the benefiting programs
  - to determine costs claimable as Medicaid administration
- One plan covers all agencies
- CMS 64 required quarterly (Medicaid Reimbursement)



## Specific Allocation Notes – DHH

- Many allocation bases used (random time studies, hours, headcount, # of applications, total costs, etc)
- All costs are allocated via sending and receiving reporting categories
- Reporting Categories represent various funding sources
  - Grants, State Funding, Self Generated
- Stat sheets used to input key figures in AFS
- Types of costs allocated - salary, associated fringe benefits supplies, and related costs, unless otherwise noted.



## DHH – Agency Details

<u>Agency</u>	<u>Allocate Costs in AFS</u>	<u>Comments</u>
301 – Florida Parish Human Services Authority	Y	1 Step
302 – Capital Area Human Services District	Y	1 Step
304 – Metropolitan Human Services District	Y	1 Step
305 – Medical Vendor Administration	Y	Multi Step
307 – Office of the Secretary	Y	Multi Step
320 – Office of Aging and Adult Services	Y	Multi Step
326 – Office of Public Health	Y	Multi Step
330 – Office of Mental Health	Y	Multi Step
340 – Office for Citizens with Developmental Disabilities	Y	Multi Step
351 – Office for Addictive Disorders	Y	Multi Step
<hr/>		
300 – Jefferson Parish Human Services Authority	N	Invoices other DHH Agencies; costs allocated by paying DHH Agency No cost allocation occurs within the Developmental Disabilities Council. All cost is direct charged to the Federal Developmental Disabilities
303 – Louisiana Developmental Disabilities Council	N	Grant or State General Funds
306 – Medical Vendor Payments	N	Costs claimed as direct on CMS-64
324 – Louisiana Emergency Response Network	N	

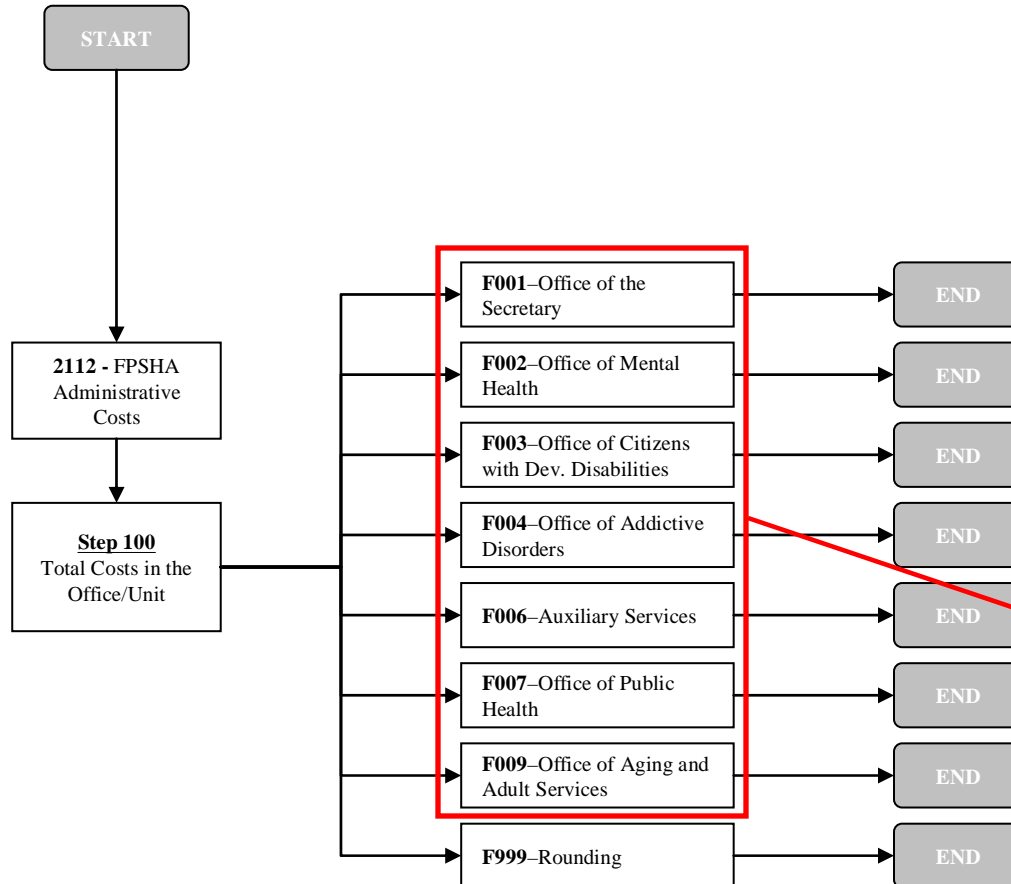




# Allocation Plan – Fla. Parishes Human Services Authority

## Agency 301

### Step 100



Costs charged to Administration include all costs associated with the administration of Florida Parishes Human Services Authority.

Cost are allocated to various cost pools based on the Total Costs in each Office/Unit. Statistic is updated monthly.

- Costs moved with JV posted to receiving agency's RC
- JV entries to be provided
- Entry posted with one month lag
- Net zero entry on receiving agency's books (offset made to dummy RC)

[illegible]



## Office of Public Health (OPH)

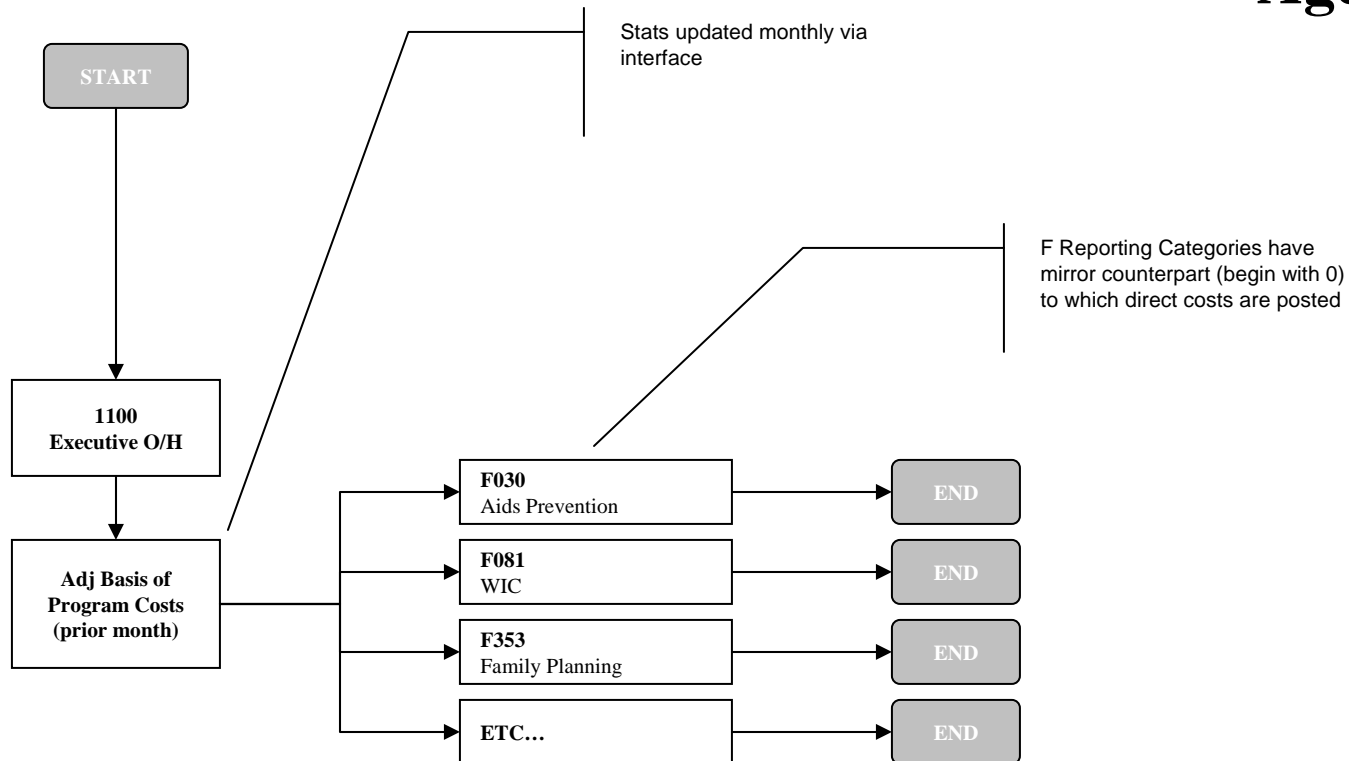
- CAP is part of the DHH consolidated plan
- Fiscal administration is separate – New Orleans





# OPH Executive Overhead Allocation

## Agency 326 (OPH)





DSS



# General Allocation Notes – DSS

- DSS is required to have a Public Assistance Cost Allocation Plan and to prepare the plan to support claiming efforts. There are individual plans for the following:
  - Office of the Secretary (357)
    - Rehabilitation Services (374)
  - Office of Family Support (355)
  - Office of Community Services (370)
- DSS Budget Units to which costs can be charged:
  - Executive Office of the Secretary
  - Rehabilitation Services
  - Office of Management and Finance
  - Office of Family Support
  - Office of Community Services



## Specific Allocation Notes – DSS

- There are 4 separate allocation plans but are covered in one agreement
- Roughly 10 grants per agency
- Allocates costs to both Federal and State funding sources





# DSS – Agency Details

<u>Agency</u>	<u>Allocate Costs in AFS</u>	<u>Comments</u>
355 – Office of Family Support	Y	1 Step
357 - Office of the Secretary	Y	Multi-Step
370 – Office of Community Services	Y	1 Step
374 – Rehabilitation Services	Y	1 Step

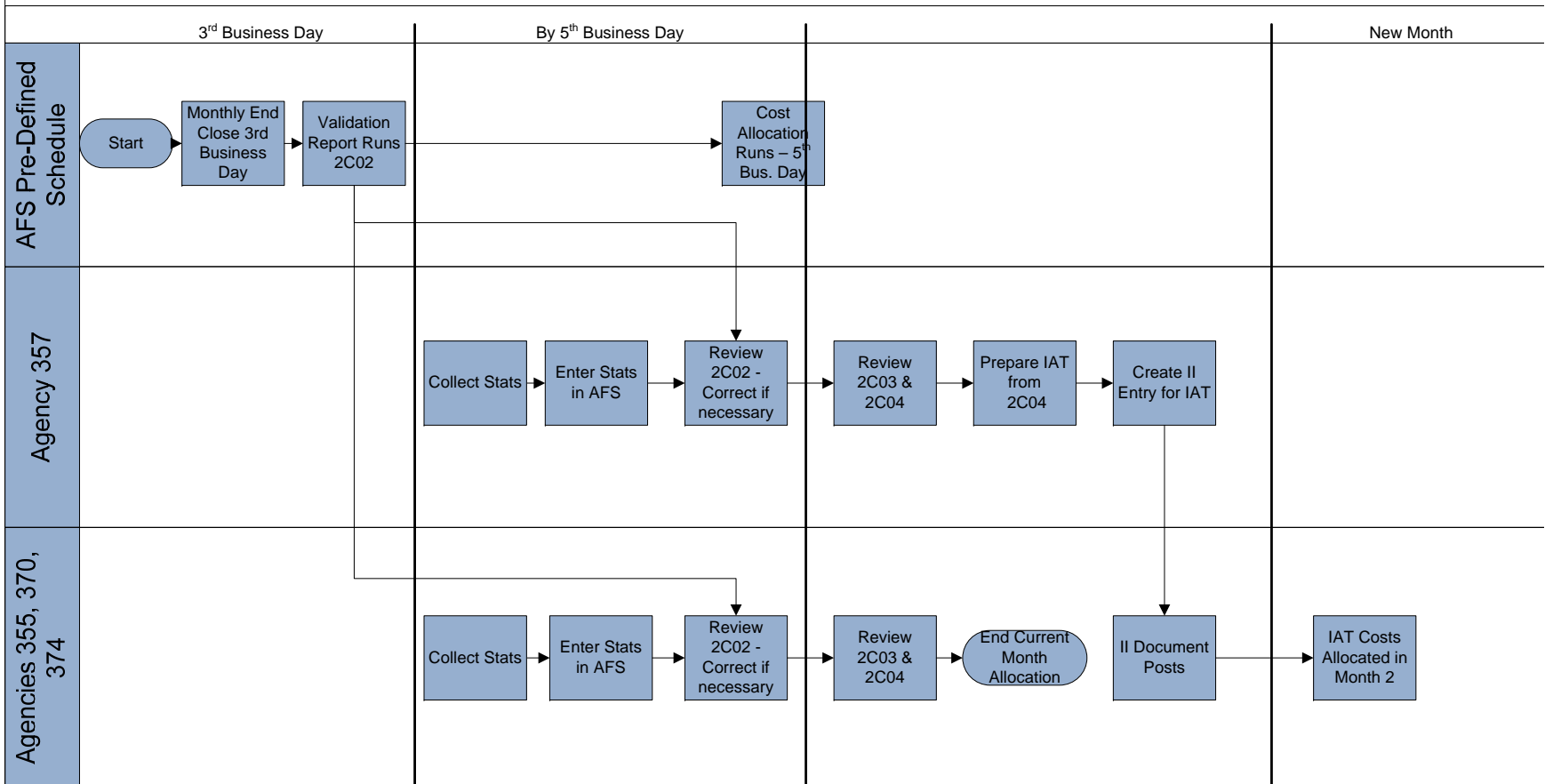
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# DSS Cost Allocation with IAT

**Process:** DSS Cost Allocation

**Sub-Process:** Office of the Secretary bills for allocated costs





# DSS – Sample Stat Sheet

STANDARD STATISTICS FORM C		AGENCY 357 ORGN./SECTION: I.S. ADMIN
GROUP: 35700 STEP: 000010		
GROUP: 35700 STEP: 000013		
		PERIOD REPORTED: SEPT., 2008
BUDGET UNIT OR PROGRAM	COST POOL	AMOUNT
IS-SYSTEMS & PROGRAMMING	C200	88.00
IS-PRODUCTION CONTROL	C201	4.00
IS-SOFTWARE SUPPORT	C202	37.00
IS-OPERATIONS UNIT	C203	16.00
IS-ACCESS-CPI	C381	
IS-ACCESS-DEVELOPMENT	C388	
TOTAL		145.00
PREPARED BY: PAT DAVIS		10/9/2008
GROUP 35700 STEP 000010	P.O.E. #1060, #1063	
GROUP 35700 STEP 000013	P.O.E. #1079	
RECEIVE A MONTHLY STAT BASED ON THE NUMBER OF EMPLOYEES IN EACH IT SECTION.		



DOL



# Allocation Notes – DOL

- Approximately 100 Grants
- Objective of Cost allocation is to comply with OMB A-87
- Two Categories of Overhead Costs
  - Cost Center OH Costs (RC 9999)
  - Administrative, Support & Technical (RC 9998)
- All costs are allocated in Agency 474 LWC – Office of Workforce Development
- Agency 474 bills Agency 475 LWC – Office of Workers Compensation via IAT monthly
- Types of Costs Allocated
  - Direct – rent, utilities
  - Indirect – salaries of support Staff (allocated based upon headcount)
- Interface from HR Payroll with hours and pay information



# DOL – Agency Details

<u>Agency</u>	<u>Allocate Costs in AFS</u>	<u>Comments</u>
474 - Office of Workforce Development	Y	
475 - Office of Workers Compensation	N	Billed from 474

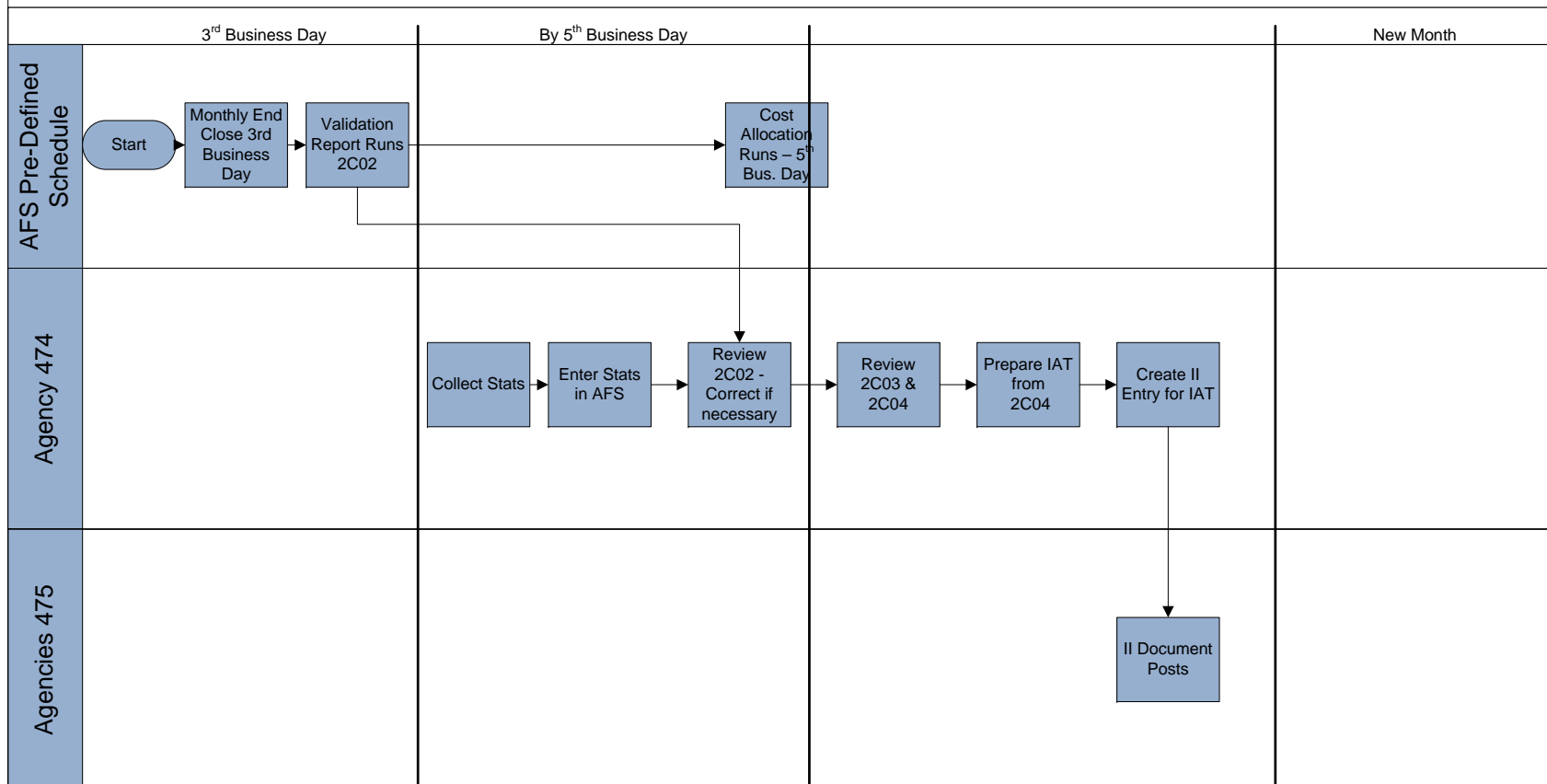
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# DOL Cost Allocation with IAT

**Process:** DOL Cost Allocation

**Sub-Process:** Agency 474 Bills Agency 475 for allocated costs





# DOTD

- Fed approved Indirect rate applied to monthly billing
  - 12.8% non emergency
  - 1.25 emergency
  
- Considerations for allocations:
  - Blackberry cost chargeback to sections
  - Reproduction Dept – charge for Microfilm and copies to sections





To-Be Discussion:

Periodic Processing  
and Cost Allocations

Abdulla Meer



# To-Be: Cost Allocations

- Involve transferring expenses from one Cost Object to one or more Cost Objects. SAP's Controlling module (CO) provides the functionality to perform Cost Allocations.
- Costs are first collected in a Cost Object (e.g.: Cost Center/Internal Order) typically through postings from other modules (FI/MM/HR), which for allocation purposes is referred to as the "Sender". Cost Objects getting a portion of the these costs will be referred to as the "Receiver".
- Expenses are moved from Senders to one or more Receivers . Sender gets the credit (negative cost) and Receivers get the debit (cost).
- CO Allocation Methods:
  - Manual Cost Allocations: One-to-One: Individual & List (transaction-based)
  - Automatic Cost Allocations: Cycles
    - Distribution Method
    - Assessment Method
  - Activity Allocation (transaction-based)
  - Repostings



# CO Allocation Example

## Cost Centers 1 & 2 are incurring expenses

- CContr-1 (**2765103072**) and CContr-2 (**2765103074**) provide services to CContr-3 (**2745019008**) and CContr-4 (**2745019012**)
- Through FI Postings, CContr-1 and CContr-2 are charged certain expenses:
  - Repair Expenses – Object Code - 506200
  - Utility Expenses – Object Code - 515000

### FI Posting

GL Account	Description	Fund	Cost Center	Amount
506200	Repair Expenses	1001	2765103072	+\$4,000

### FI Posting

GL Account	Description	Fund	Cost Center	Amount
515000	Utility Expenses	1001	2765103074	+\$3,000



# CO Allocation Example (contd.)

## Simultaneous Postings occur in CO

- FI-GL Postings in earlier slide will also result in a simultaneous posting to CContr-1 and CContr-2 -- in CO; Cost Center Reports will show this.
- All Account Code information is automatically carried through. Cost Element codes are same as Object Codes (GL Account Codes) used in original transaction.

### CO Posting (Automatically done in the back ground)

Cost Element	Description	Fund	Cost center	Amount
506200	Repair Expenses	1001	2765103072	+\$4,000
515000	Utility Expenses	1001	2765103074	+\$3,000



# CO Allocation Example (contd.)

Let us See How Costs are moved from Senders to Receivers

## CO Posting – Allocate Repair Expense to Two Receiving Cost Centers

Cost Element	Description	Fund	Cost Center	Amount
906200	Alloc. Repair Exp.	1001	2765103072	-\$4,000
906200	Alloc. Repair Exp.	1001	2745019008	+\$2,500
906200	Alloc. Repair Exp.	1001	2745019012	+\$1,500

## CO Posting – Allocate Utility Expense to Two Receiving Cost Centers

Cost Element	Description	Fund	Cost Center	Amount
915000	Alloc. Utility Exp.	1001	2765103074	-\$3,000
915000	Alloc. Utility Exp.	1001	2745019008	+\$2,000
915000	Alloc. Utility Exp.	1001	2745019012	+\$1,000



# CO Allocation Example (contd.)

## Cost Center Reports

**SENDERS**  
(get credit)

**RECEIVERS**  
(get debit)

**CCtr-1: 2765103072**

Utility expenses	GL 515000	\$3,000
CO Allocations	CE 915000	-\$3,000
		-----
Net for Cost Center		0

**CCtr-3: 2745019008**

Alloc. Utility Exp	CE 915000	\$2,000
Alloc. Repair Exp	CE 906200	\$2,500
		-----
Total allocations		\$4,500

**C-Ctr-2: 2765103072**

Repair expenses	GL 506200	\$4,000
CO Allocations	CE 906200	-\$4,000
		-----
Net for Cost Center		0

**CCtr-4: 2745019012**

Alloc. Utility Exp	CE 915000	\$1,000
Alloc. Repair Exp	CE 906200	\$1,500
		-----
Total allocations		\$2,500



# **CO Allocation Methods**

## **Different Methods**



# One-to-One: Individual

- Simplest – Used to transfer cost from one Sender Cost Object to a Receiver Cost Object.
- Transaction is also called “Manual Cost Allocation”. Done in real-time.
- Uses Primary or Secondary Cost Elements (5 Series and 9 Series Accts.).
- Costs are moved from the Sender to a Receiver . Sender gets the credit (negative cost) and Receiver gets the debit (cost).
- Key Transaction Information:
  - Dates: Document Date & Posting Date (Posting Period)
  - Ref. Doc #
  - Transaction Text
  - Cost Element
  - Sender Info
  - Receiver Info
  - Transaction Amount





# CO Allocation

## One-to-One: Individual

Posting Edit Goto Extras System Help

Enter Manual Cost Allocation

Entry Data Additional Info

Doc. Date 11-01-2006  
Postg Date 11-01-2006  
Ref. Doc.   
Doc. Text Transp sending 100% FS

Period 5  
Confirm

Scrn variant Cost center Input Type Individual Entry

Document Item

Cost Elem. 535000  
Amount 100.00  
Quantity  
Text

Currency USD  
Unit

Sender Receiver

Cost Ctr 5001111100 Transportation Cost Ctr 5003333300 Food Services  
Fund  
Func. Area  
Grant NOT RELEVANT

Confirm Hold Data Reset Data Position 1

1 Items

Item	Send. Cctr	Sender fund	Sender Fnc.Area	Sender Grant	Cost Elem.	Amount	Crcy	Rec. Cctr	Rcvr Fund	Rec.FuncAr
1	5001111100			NOT RELEVANT	535000	100.00	USD	5003333300		

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# One-to-One: List

- Same as One-to-One: individual, except that “List” method can be used to transfer several One-to-One allocation postings together.
- Costs are moved from the Senders to multiple Receivers . Sender gets the credit (negative cost) and Receiver gets the debit (cost).
- An Excel front-end tool will be used by end-user Department or Agency to input actual charges; Central office will consolidate the charges and posts them into SAP.
- All Supporting paper work that justifies the charges will be retained by end-user Departments or Agencies, and is available for audit (if asked for).
- Key Transaction Information:
  - Dates: Document Date & Posting Date (Posting Period)
  - Ref. Doc #
  - Transaction Text
  - For Each Row: Cost Element , Sender Info, Receiver Info, Transaction Amount , Text



# CO Allocation One-to-One: List

Posting Edit Goto Extras System Help

Enter Manual Cost Allocation

Entry Data Additional Info

Doc. Date 11-01-2006  
Postg Date 11-01-2006  
Ref. Doc.   
Doc. Text Transp sending 60% FS; 40% FR

Period 5  
Confirm

Scrn variant Cost center Input Type List Entry

2 Items

ItemNo.	Send. Cctr	Sender Fnd	SFA	Sender Grant	Cost Elem.	Amount	Crcy	Rec. Cctr	Receiver f...	RFA	Receiver Grant	Total Qu...	UM	Text
0001	5001111100			NOT RELEVA...	535000	60.00	USD	50033333...			NOT RELEVANT	0.000		
0002	5001111100			NOT RELEVA...	535000	40.00	USD	40022222...			NOT RELEVANT	0.000		Bus trips
0000							USD							
0000							USD							
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Fill Column Reset Column

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# One-to-Many: Cycle Postings “Automated” Cost Allocations

- Used to transfer cost from one Sender Cost Object to multiple Receiver Cost Objects.
- Also referred to as “Cycle Postings” or “Automated” Cost Allocations.
- Costs are moved from the a Sender to multiple Receiver Cost Objects . Sender gets the credit (negative cost) and Receivers gets the debit (cost).
- Two Methods:
  - **Distribution:** Automated Cost Allocation Method that retains the original cost element.
  - **Assessment:** Automated Cost Allocation Method in which several costs are bundled and allocated to Receivers; identity of the original cost element is not available with the receivers.
- Before Go-Live, Cycle structures will be set up and tested; they only need to be maintained and executed by a Central office.
- Allocation Bases: Statistical Key Figures (SKF). Prior to Cycle execution, Stats (SKF) values are posted by end-user Agency.



# Statistical Key Figures (SKF)

- SKF is a master data object used as a tracing factor for cost allocations in Controlling.
- A master record is created to establish the unit of measure used: hours, # of employees, area (SFT) etc.
- Before Cost Allocation run, values are posted as quantity postings in SAP by end-user Department or agency:
  - Fixed value (Example: Square Feet)
    - No change from current period to subsequent period
  - Variable value (Total) – (Example: Number of Copies)
    - Value changes in every period
    - Entered individually for each period
- When cost allocations are run, actual dollars are posted to receivers based on statistical numbers ("Stats") previously posted against cost centers with SKF.



# SKF Example – Area (SFT)

Statistical Key Figure Edit Goto System Help

Display Statistical Key Figure: Master Data

Stat. key figure: SFT

Controlling area: 0010 State of Louisiana

Basic data

Name: SFT - Area

Stat. key fig. UnM.: FT2 Square foot

Key fig. cat.: ☒ Fxd val. ☐ Tot. values

Start C:\... SA... SA... Mic... SA... Def... Mic... SA... Dis... 2:13 PM



# Tracing Factors

## Establish how a cost allocation will be carried out in SAP

- Fixed: Amount or percentage (based on square footage, etc.)
- Variable: Portions or percentage (# of tel. calls, hours worked, etc.)



Number of  
Computers



Number  
of Employees



Time



Number of  
Phone Calls



# **One-to-Many: Cycle Postings** **Automated Cost Allocations**

## **Two Methods:**

- 1. Distribution**
- 2. Assessment**

**Let us Understand them**





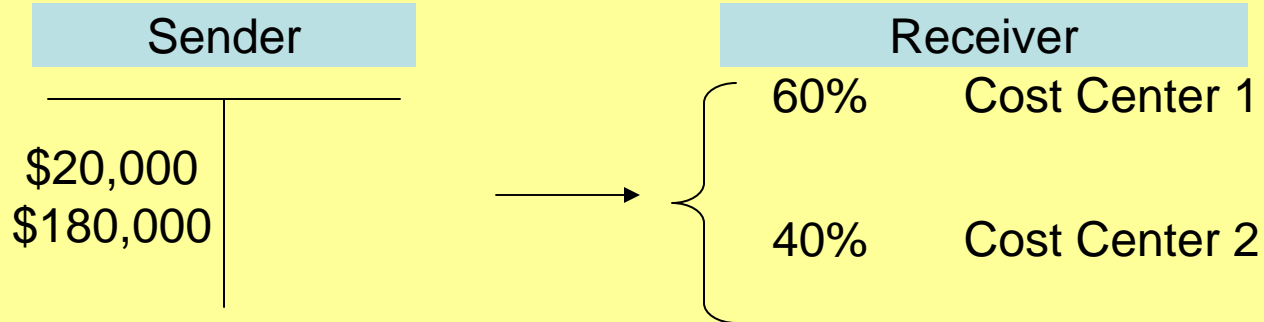
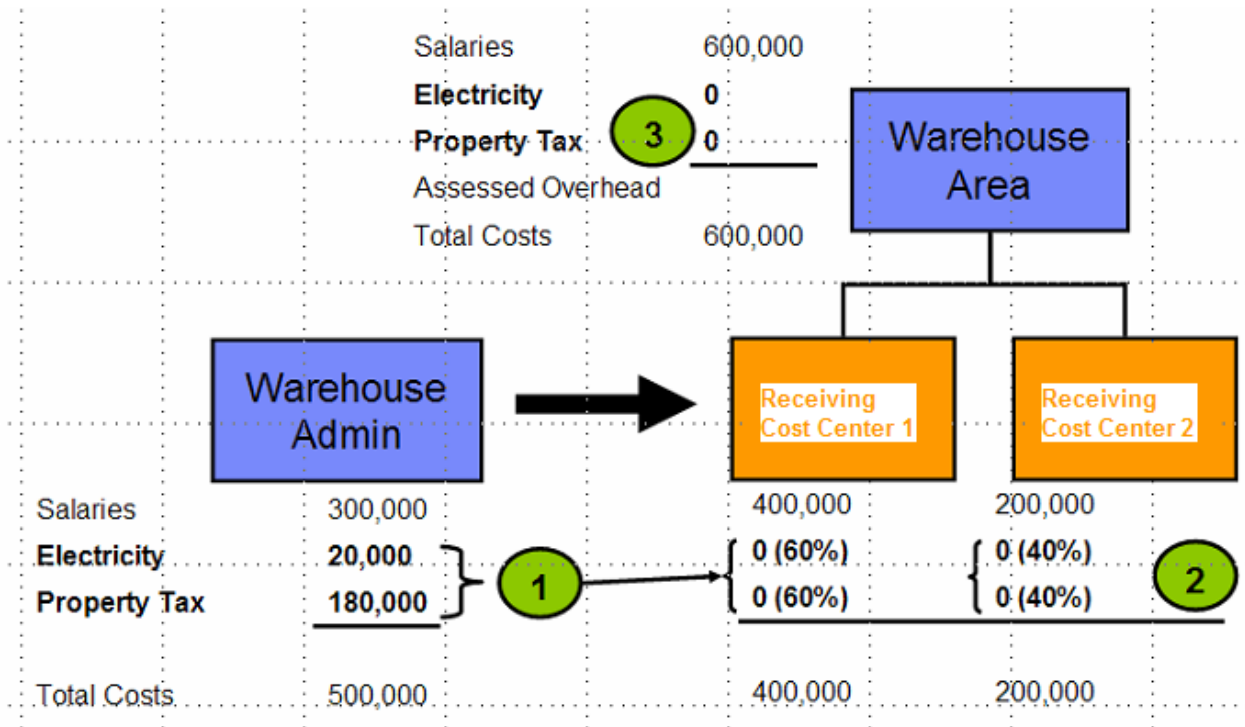
# **Automated Cost Allocations:** **Distribution Method**

- Automated cost allocation method that retains the original cost element after allocation is complete.
- Used to transfer cost from one Sender Cost Object to multiple Receiver Cost Objects. Also referred to as “Distribution Cycle Posting”.
- Costs are moved from a Sender to multiple Receiver Cost Objects . Sender gets the credit (negative cost) and Receivers gets the debit (cost).
- Uses Primary Cost Elements (5 Series Accounts – same as G/L Accounts)
- Before Go-Live, Cycle structures will be set up and tested; they only need to be maintained and executed by a Central office.
- SKF values are entered prior to distributing the costs.



# Distribution: Example

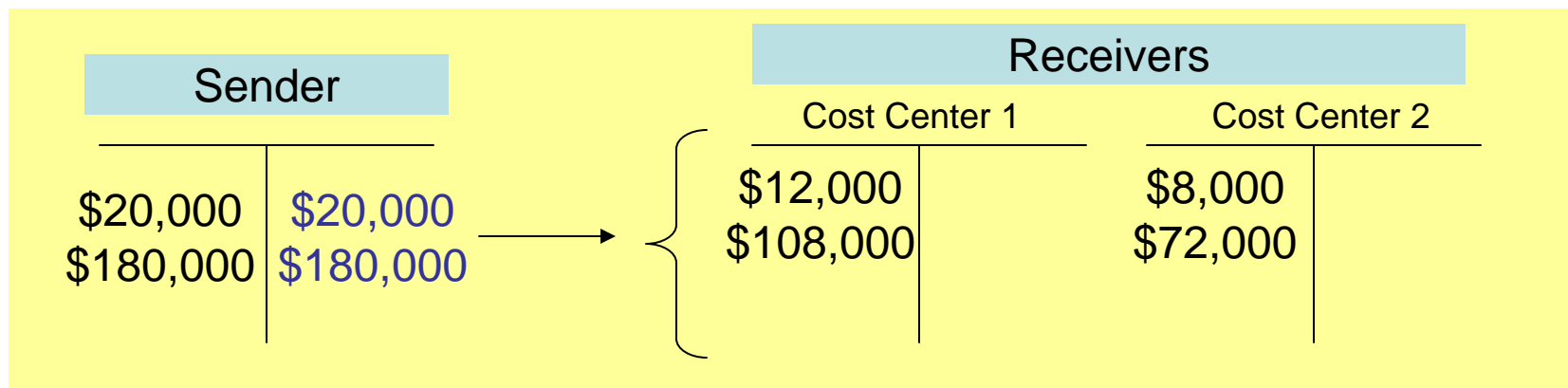
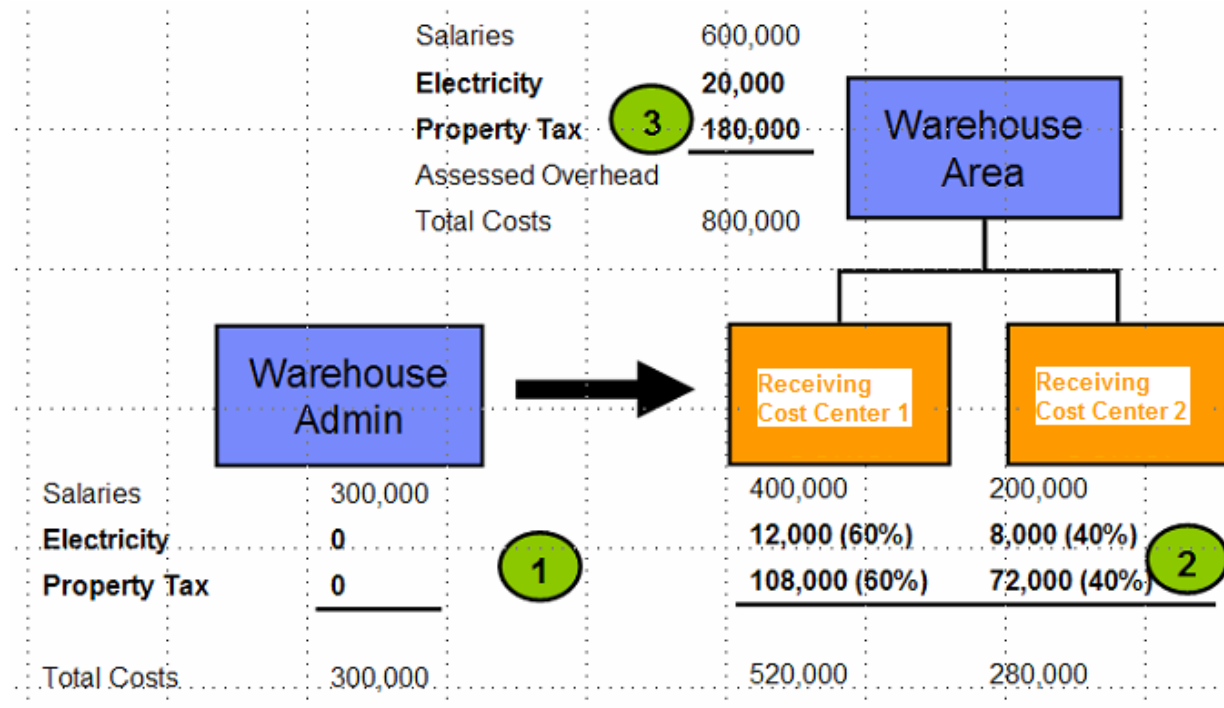
Before Distribution





# Distribution: Example

## After Distribution





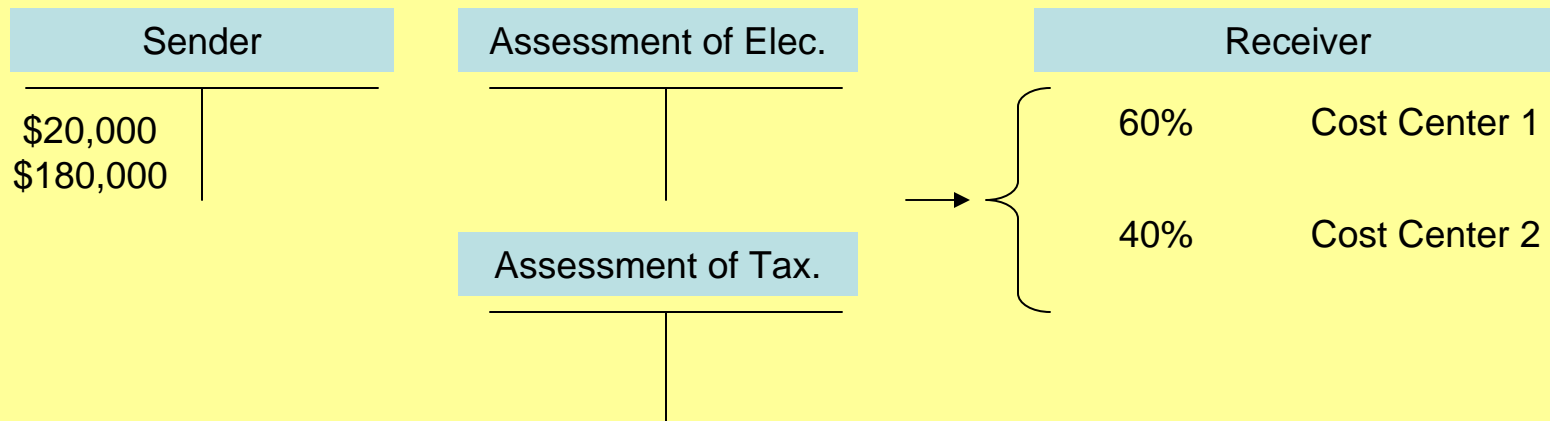
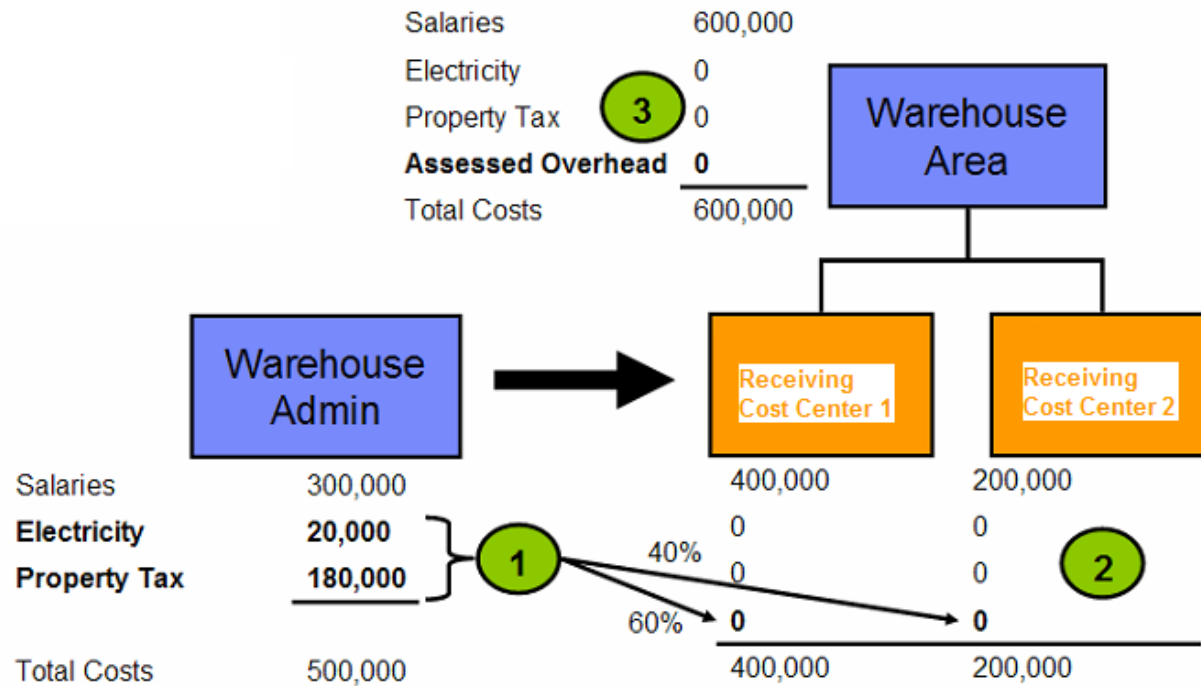
# **Automated Cost Allocations:** **Assessment Method**

- Automated cost allocation method in which several costs are bundled together and then allocated to one or more Receivers; identity of the original cost element is lost.
- Costs are moved from the a Sender to multiple Receiver Cost Objects . Sender gets the credit (negative cost) and Receivers gets the debit (cost).
- Uses Secondary Cost Elements. Allocated costs are posted to a secondary cost element (# Range starting with "9"); these accounts are internal to CO, not defined in FI-GL.
- Before Go-Live, Cycle structures will be set up and tested; they only need to be maintained and executed by a Central office.
- Allocation bases are used to transfer the costs.



# Assessment: Example

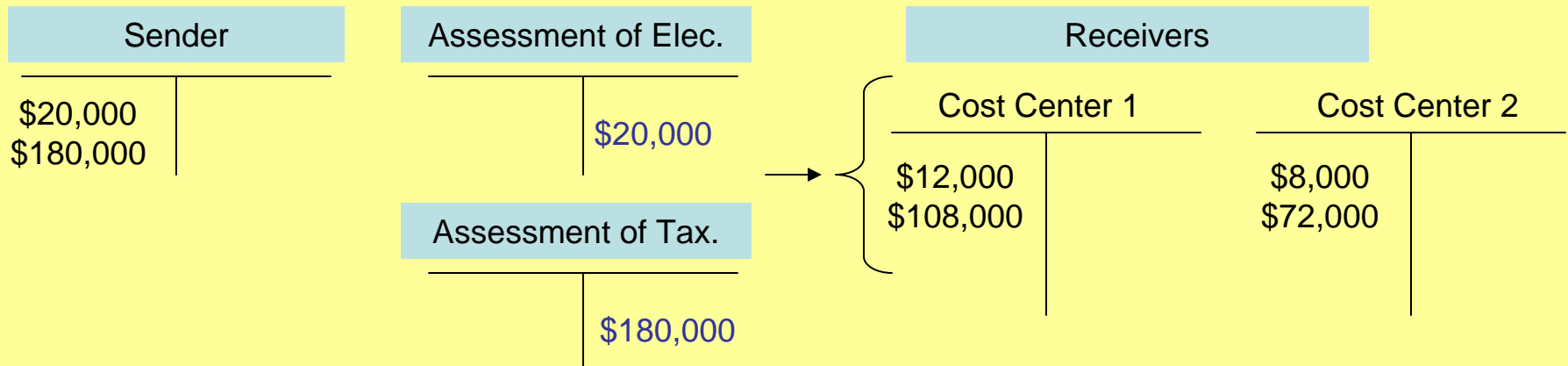
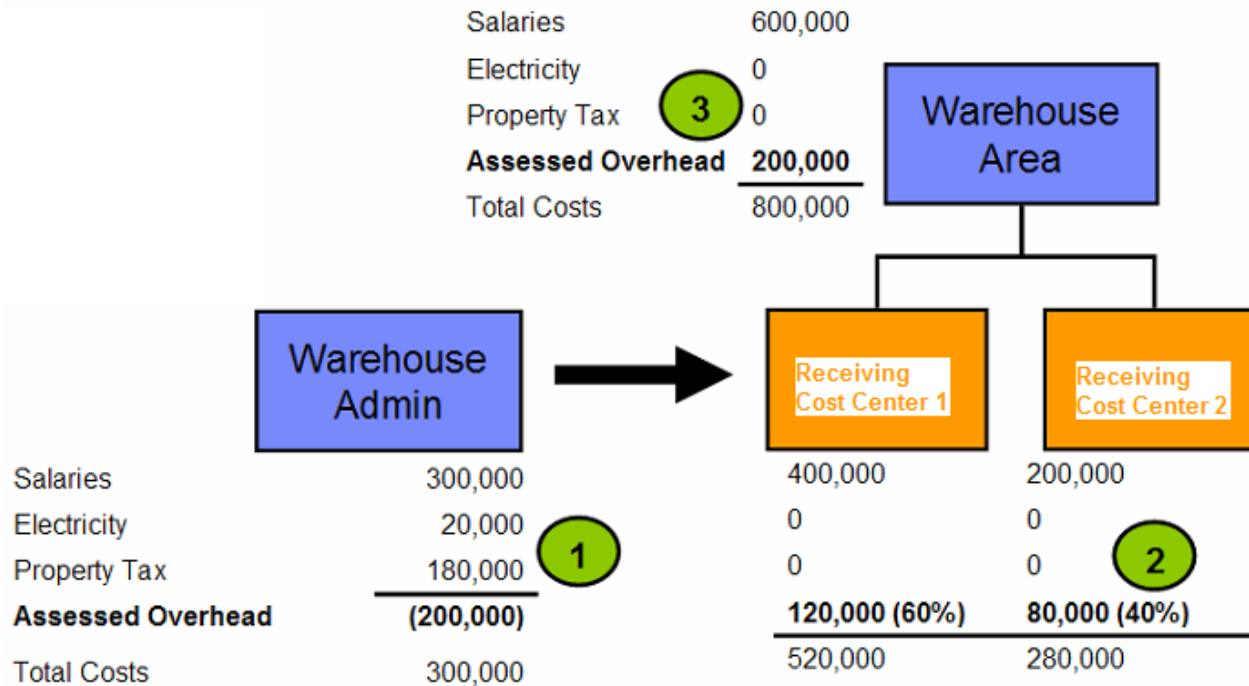
## Before Assessment





# Assessment: Example

## After Assessment





# **Activity Allocation** **Transaction Based**

- Method of internal cost allocation (Real Time) by which activities from sender cost objects can be moved to cost receivers.
- The activities represent the “output” of a cost center (such as labor hours or machine hours). These outputs are represented in SAP as “Activity Types”. E.g. – Labor Hrs, Programmer Hrs.
- Activity Types are valued with prices specified in the system – Standard Rate.
- In Internal Activity Allocation, the activity produced by the cost center is multiplied by the activity price. The result is the cost to be allocated. The sender cost center is credited with this amount and the receiver object is debited.



# Activity Allocation Transaction Based (contd.)

- Unique secondary cost elements are used; internal to CO , not defined in FI-GL -- Activity allocation cost elements (type 43)
- No tracing factors. The basis for calculation is the quantity of activity exchanged
- Steps to perform an activity allocation:

**1) Activity type master data creation**

- Represent the activities produced and offered by the cost centers
- Are often used to represent internal labor
- Typically expressed in units of time or quantity

**2) Activity type / sender cost center planning**

- Plan activity availability, capacity, and price in sending cost centers

**3) Activity allocation:** Real time, automatic computation of cost

**Not Expecting to use it for actual cost recordings in LaGov ERP System**





# Comparison of CO Allocation Methods

Periodic Allocation		Transaction-Based Posting	
Distribution	Assessment	One-to-One (individual)	Activity Allocation
Uses Primary	Uses Secondary	Primary/Secondary	Uses Secondary
5 Series Acct	9 Series Acct	5 Series Acct and 9 series	9 Series Acct
Period-End	Period-End	Real-Time	Real-Time
Tracing factor	Tracing factor	N/A	No tracing factor
Defined in GL	Not defined in GL	Defined in GL/ Not defined	Not defined in GL

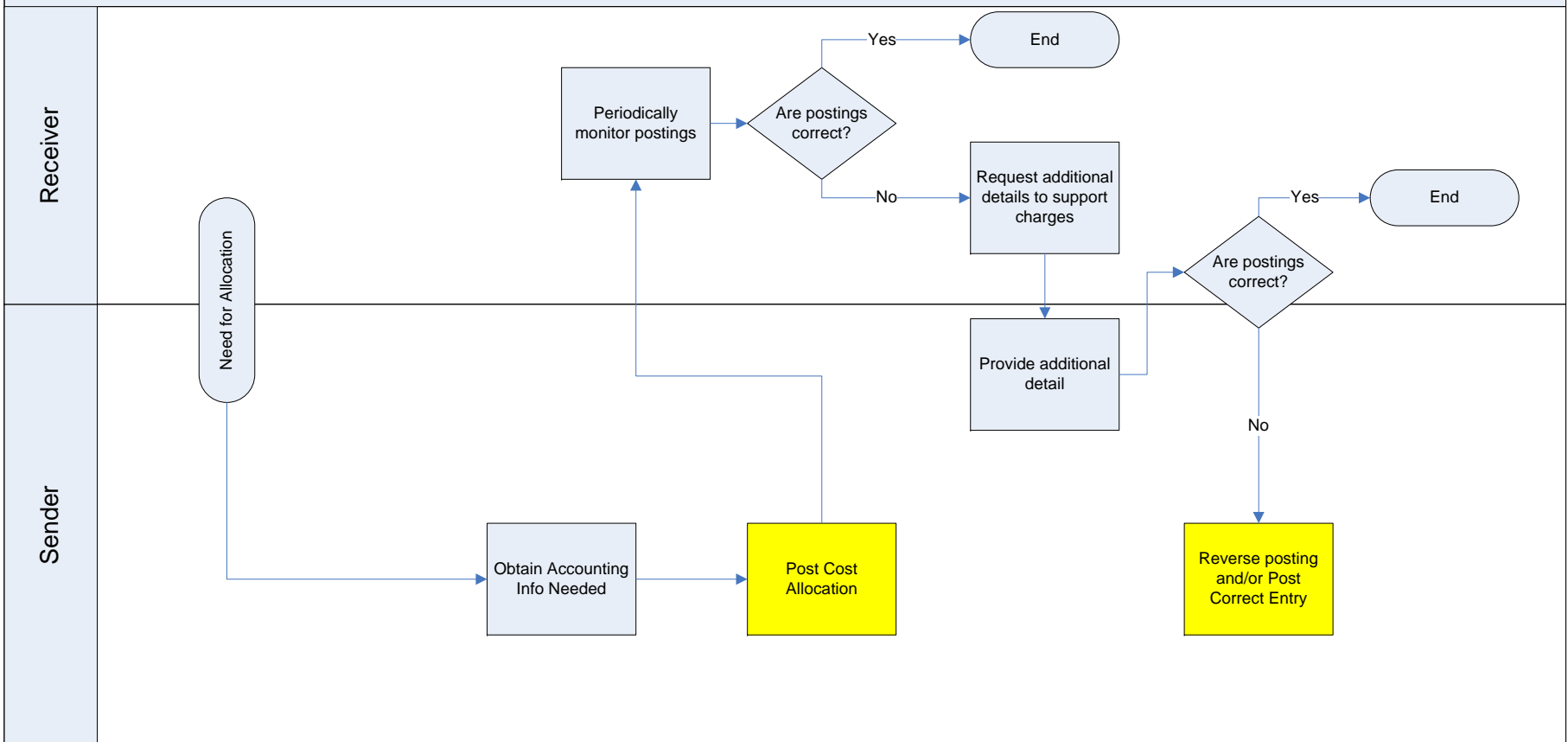


# **To-Be Process Flows Cost Allocations**



# One to One: Individual Draft To-Be Process Flow

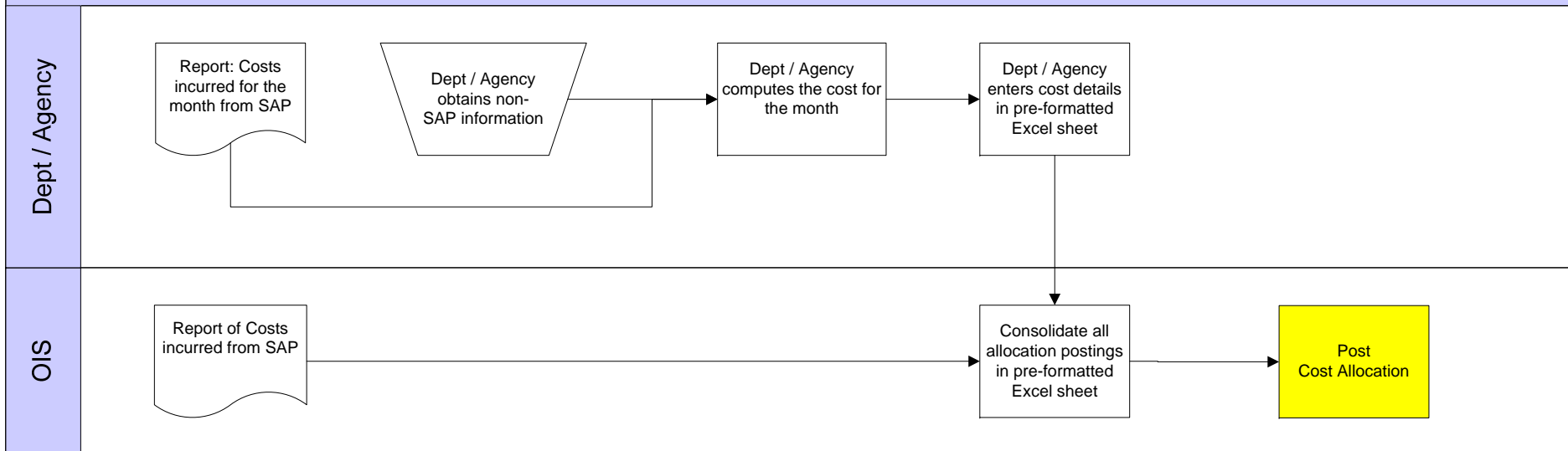
CO Manual Allocation: One to One: Individual – Draft To-Be





# One to One: List Draft To-Be Process Flow

## CO Manual Allocation: One to One: List – Draft To-Be



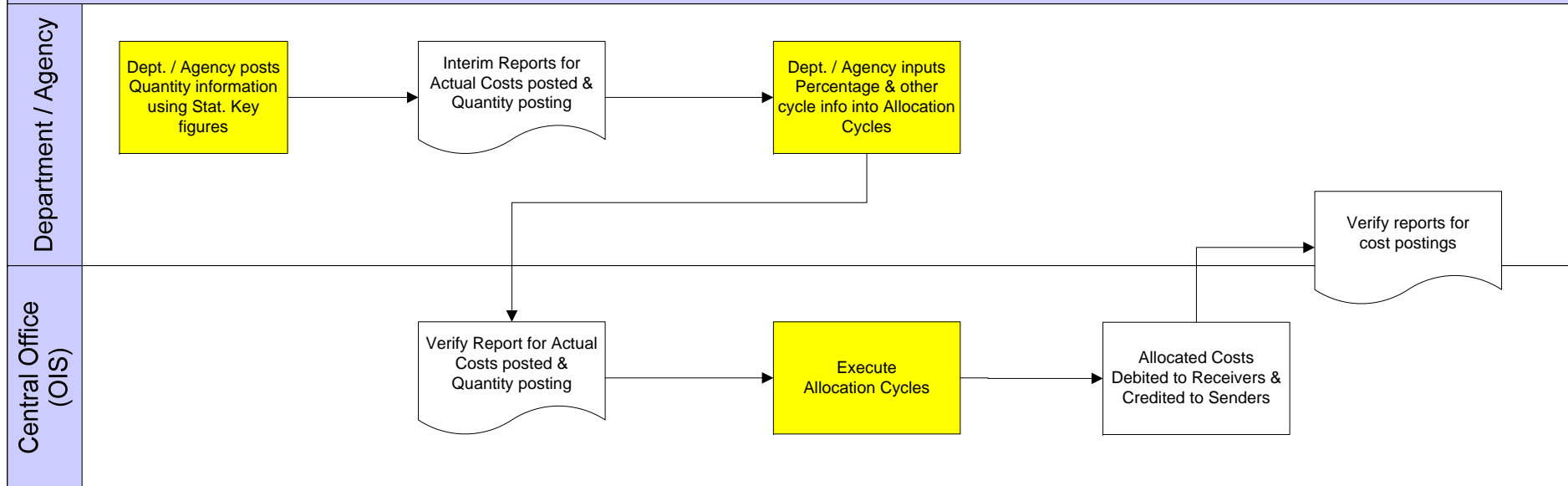
Ideally performed by a Central office

**Discussion: Who is going to be the Central Office? OIS?**



# One to Many: Automated Allocations Draft To-Be Process Flow

CO Automated Allocations: One to Many: Distributions & Assessments - Draft To-Be



Ideally performed by a Central office

**Discussion: Who is going to be the Central Office? OIS?**



# Periodic Processing Controlling



# Periodic Processing: Overview

**Tasks that are carried out on a regular basis –  
typically end of the month and end of the fiscal year**

- **SAP Periodic Processing:**

All tasks within LaGov system that need to be carried out at month-end and year-end. Tasks are coordinated and are in sequence. Involves many modules, including those outside of FI/CO, such as: Logistics.

-- Example: MM Close

- **FI/CO Periodic Processing:**

All tasks within Financial Accounting and Controlling modules that need to be carried out at month-end and year-end. Tasks are coordinated and are in sequence. Involves modules: GL, FM, GM, AP, AR, AA, CO & PS.

-- Examples: FI Close, FM Period-end Activities

- **CO Periodic Processing:**

All tasks within Controlling modules that need to be carried out at month-end and year-end. Tasks are coordinated and are in sequence. Staff responsible for this will have to work with rest of the ERP Periodic Processing Team in carrying out these activities.

-- Examples: IATs, Allocations, Settlements, Adjustments

**CO Period-end activities will be coordinated with  
other period close activities (other modules)**



# Periodic Processing: Overview (contd.)

Tasks that are carried out on a regular basis –  
typically end of the month and end of the fiscal year

## CO- Period-end Activities

- **Inter Agency Transfers:** Charge cost objects for services provided and bill them
- **Cost Allocations:** Allocable costs (such as: Admn. costs) incurred in each period are allocated by means of a defined criteria, such as: fixed amounts or percentages, using CO Allocation methods: Distributions, Assessments
- **Periodic Settlements:** Costs collected in a Cost Object (Internal Order) are settled to one or more receivers (Cost Center, Fixed asset, etc.)
- **Periodic Repostings:** Used to make Period-end adjustment entries.
- **Cost Accruals:** Involves determining accrued costs and posting to cost objects
- **Reports & Reconciliations:** Cost Center Reports, Cost Element Reports, Internal Order Reports





# Periodic Settlements



# Periodic Settlements

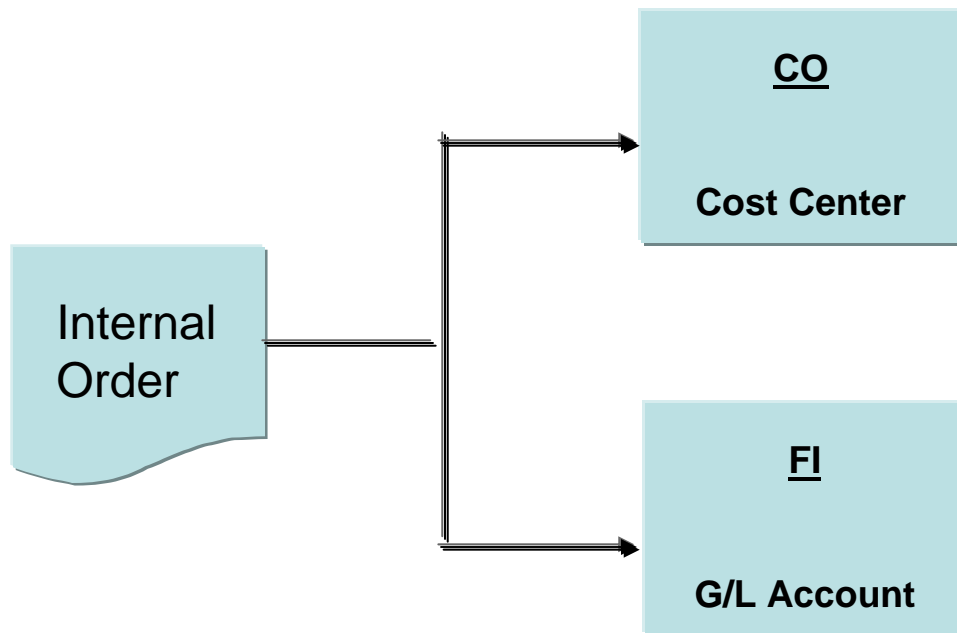
**Used to transfer costs accumulated in a Cost Object to other Cost Objects in Controlling**

- **Examples: Internal Orders, Non-Capitalized Projects**
- **Sender is credited and receivers are debited**
- **Settlement Rules are created to specify details: which portion of the costs on a sender should be settled to which receiver(s)**
- **Settlements can be reversed**



# Periodic Settlements

## Internal Order



Other Cost  
Objects to  
be settled?



# Periodic Repostings



# Repostings

**Transactions used to make adjustment entries made to cost centers, internal orders, or WBS elements.**

- **A posting tool in which primary costs are posted to a receiver object under the original cost element.**
- **Repostings are used to rectify incorrect postings.**
- **Two methods:**
  - **Transaction-based reposting** - Each posting is made in real time during the current period.
  - **Periodic reposting** - Produces the same results as transaction-based reposting. The costs being transferred are collected on a clearing cost center and then transferred at the end of the period according to allocation bases defined by the user.
- **Examples:** Telephone bill, postal charges. Expenses are entered in Financial Accounting (FI) and posted to an allocation cost center. At the end of the period, the collected costs are reposted to receiver cost centers by means of a criteria. The original cost element (Primary Cost Element) is retained.
- **Typically used when sending cost center is not an important piece of information to keep.**
- **Simpler, uses less memory and faster performance-wise in the system.**



# Periodic Reposting

## Telephone Costs Example

- **Scenario:** Charges for the telephone costs occurring in a given period arrive in a lump sum for the entire organization. However, we must charge the individual cost centers responsible for the telephone costs, based on a criteria (Statistical Key Figure), such as: # of calls made.
  
- **One Time Actions:**
  - Create a Collection Cost Center
  - Create a SKF
  - Define Periodic Reposting Cycle
  
- **Periodic Actions:**
  - Enter Telephone Costs in FI (with Collection Cost Center created)
  - Enter SKF values for each receiving Cost Center (# of calls made)
  - Execute Periodic Reposting Cycle (test run & actual run)
  - Execute report to check the debits and credits

**Discussion:** Do you see situations where this method can be used?



# Cost Accruals



# Cost Accruals

**If an expense incurred covers a whole year, assigning a proportion of the whole to each individual cost accounting period.**

## **Two ways:**

- **FI: Post accruals in the Financial Accounting (FI) using recurring entries and pass the accruals to the Controlling (CO) using a special cost element for accrual allocation**
- **CO: Calculate accruals in CO based on the costs posted in CO (%). Must ensure that subsequent postings are made in the FI if we want to display the accruals postings there as well.**

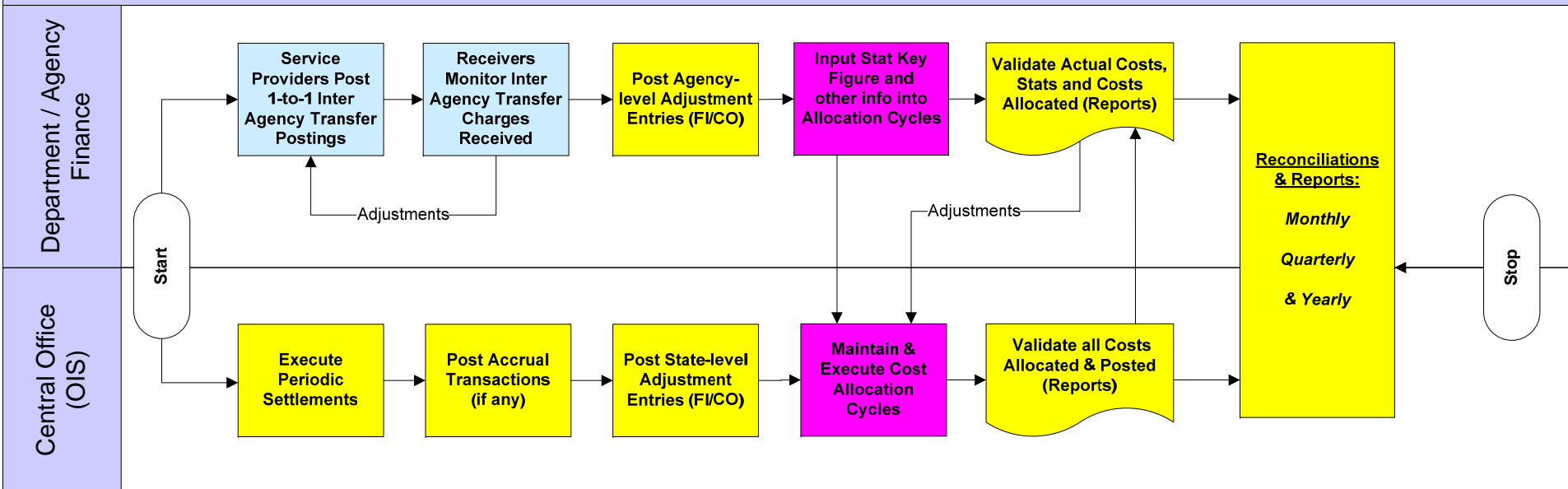
**In your agency, do you post now and/or  
do you see a need to post accruals?**





# To-Be: CO Periodic Processing

CO Periodic Processing: **Draft** To-Be For Discussion





## Discussion

### **Who will be performing Period-end Activities?** *Agency-level & State-level*

- Current: DOL, DHH, DSS, DOTD
  - Others?
- To Be:
  - Option: Individual Agency's Finance Dept in partnership with a Central State-wide Team

**Decision: Who will that Be?**  
**OIS in conjunction with Agency Finance?**



# Enterprise Readiness Challenges/Impacts

- Period-end activities are centralized.
- Training impact is minimal.
- Periodic processing activities (especially at year end) needs coordination as it impacts multiple modules and State staff performing the activities.



# Process Improvement Opportunities

- Standardization & Consistent way of allocating costs across the State.
- Compliance with mandates.
- Repeatable Processes.
- “True” cost by object – in “One” System
- Good Reporting Capabilities: Summary & Drill-down at transaction level



# Scope Issues for Resolution

## ➤ 1. SWCAP:

Is it in scope for inclusion into LaGov ERP System?

- State Wide Cost Allocation Plan – distributes state-wide overhead costs to agencies.
- Currently, uses a system external to AFS (Maxmus?)

## ➤ 2. Agencies doing Cost Allocations outside of AFS:

Are they in scope for inclusion into LaGov ERP System's Cost Allocation Processes?

- Only three Departments perform Cost Allocations today in AFS: DHH, DSS & DOL. Rest are doing it outside AFS
- May be using different As-Is processes than discussed today



# FRICE-W Considerations

## Reports:

2C00 – Cost Allocation Summary

2C02 – Validation Reports (Statistics)

2C03 – Cost Allocation Detail

2C04 – Cost Allocation POE/Final Base

## Interfaces:

HR outbound – headcount stats

Inbound – statistics (OPH)



## Action Items & Next Steps

- Prepare and send out meeting minutes to invitees; ensure all to-do's are appropriately documented.
- Follow up on action items identified during the workshop; let us review them now.
- Schedule off-line meeting (s) to obtain more details surrounding Period-end Activities
- Plan validation workshop.
- Validate Design Document.



# Thank You for Your Participation!

## LaGov Cost Accounting Contacts

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